



City of Newton, Massachusetts
Community Preservation Committee



**DOCKET
ITEM NO.
229-08**

MEMORANDUM

David B. Cohen
 Mayor

DATE: 24 June 2008

TO: The Honorable Board of Aldermen

FROM: Community Preservation Committee

RE: **recommended Community Preservation funding for
 NEWTON HOMEBUYER ASSISTANCE PROGRAM**

SECTIONS

- | | |
|---|---|
| 1. <i>Project Goals & Eligibility</i> | 4. <i>Attachments List</i> |
| 2. <i>Funding Recommendation</i> | 5. <i>Appendix: Detailed Findings on Funding Eligibility & Priorities</i> |
| 3. <i>Market Timing & Other Recommendations</i> | |

1. PROJECT GOALS & ELIGIBILITY

This proposal is to re-fund the Newton Homebuyer Assistance Program, previously supported with \$500,000 of community preservation funds on 17 May 2004 and \$208,250 on 20 March 2006. The Community Preservation Act allows for the acquisition and creation of housing affordable to households with up to 100 percent of area median income; this funding will help at least 8 households with incomes below that threshold - up to 80 percent of the area median - to purchase homes in Newton, and in the process will acquire deed restrictions making the homes purchased with this assistance permanently affordable to such households, and therefore qualified for inclusion in the Commonwealth's Subsidized Housing Inventory. *(For further discussion, see appendix.)*

2. FUNDING RECOMMENDATION

On 28 May 2008 the Community Preservation Committee recommended funding this proposal by a vote of **6 in favor, 0 opposed**. The Committee recommends a direct appropriation from the Fiscal 2009 Community Preservation Fund's housing and general reserves, as follows

NEWTON HOMEBUYER ASSISTANCE PROGRAM	
program funding (8 or more cases, @ max. assistance \$115,000)	\$920,000
program administration <i>(Housing Office staff time for program marketing and for financial and rehabilitation/permitting advice to prospective homebuyers)</i>	\$46,000
legal services <i>(approx. 5 hrs per case for: advisory meetings and phone calls, review and preparation of deed restrictions and other documents)</i>	\$2,800
TOTAL amount of recommended appropriation	\$968,800

and that this appropriation be allocated as follows among allowable uses of community preservation funds:

community housing 100%

ADDITIONAL SOURCES OF FUNDS & TIMING OF THIS PROPOSAL

In the past, this program has leveraged federal funds through the HOME, CDBG, and American Dream Downpayment Initiative programs, funds available through the Massachusetts Housing Partnership's Soft Second mortgage program (a public-private partnership), and regular private mortgage funds. The continuing decline in federal funds makes CP funds more important for this program than ever before.

NEWTON HOMEBUYER ASSISTANCE PROGRAM		
Leveraging Community Preservation Funds, June 2004-May 2008		
(only cases that used CP funds)		
	total	avg. per case
Original purchase price	\$1,920,960	\$274,422
<i>Assistance to buyers from:</i>		
Community Preservation funds	\$596,000	\$85,135
other public funds	\$70,000	\$17,500
Mortgage	\$1,133,072	\$161,867
Buyers' personal contribution (<i>to down payment and closing costs</i>)	\$89,718	\$12,816
Total funds leveraged (<i>other public funds, mortgage, and buyers' contributions</i>)	\$1,292,790	\$192,183
Other dollars leveraged by each dollar of CP funding	\$2.17	\$2.26

Timing: Homeownership in Newton remains well beyond reach for low- and moderate-income households without the kind of assistance provided through this program. However, housing costs in the city have recently, and probably temporarily, declined slightly or grown at a slower rate than in the recent past: according to *Banker & Tradesman*, from 2007 to 2008 in Newton, single-family home prices declined by 3.6 percent, and condominium prices rose by 6.5 percent.

A resulting rise in applications to this program has exhausted all previously appropriated funds. The CPC is recommending a third round of funding for the program, ahead of the regular fiscal 2009 proposal deadline, to take advantage of current interest and market conditions.

OTHER RECOMMENDATIONS

The Community Preservation Committee further recommends that:

- a. The recommended funds be appropriated to the spending authority of the Director of Planning and Development.
- b. The program begin as soon as funds are released (20 days after the Board authorizes any new appropriation) and conclude by 1 December 2010.
- c. All homebuyers assisted through the program have household incomes up to but not exceeding 80% of the area median.
- d. Within these income requirements, and in accordance with fair housing laws and the requirements of other funding sources, households assisted through the program be first-time homebuyers, displaced homemakers, or meet the City's established local preference policies (for households that already reside in the City or that include someone employed by or in the City, a student in Newton public schools, or someone who graduated from a Newton high school).
- e. Units purchased with program assistance be bound by a deed restriction making them affordable in perpetuity, or for the maximum duration permitted by law, to households with incomes at or below 80 percent of the area median. The deed restriction shall include resale provisions that if no qualified buyers are found upon resale, any proceeds from resale shall be returned to the Community Preservation Fund in accordance with the deed restriction.
- f. As part of the application process, the City's Housing Office assists each applicant in estimating the cost of any rehabilitation work needed on the unit being purchased, and evaluating the applicant's financial ability to undertake this work.
- g. The Housing Office's project manager provide regular quarterly status reports and respond promptly to any other requests for updates from Community Preservation Program staff; and notify the CPC in writing of whether or when the Housing Office expects to submit a proposal for a fourth round of program funding, as soon as this third round has funded its 6th case.
- h. Any portion of the Community Preservation Fund grant not used for the purposes stated herein be returned to the Newton Community Preservation Fund.

3. ATTACHMENTS

(delivered to the clerks of the Committee on Community Preservation and Finance Committee)

- ◆ Proposal
- ◆ Letters of support
- ◆ PowerPoint presentation to the CPC - program accomplishments & current housing market
- ◆ Newton Homebuyer Program - cases completed to date
- ◆ Public funding of recent community housing projects in Newton

Appendix:

DETAILED FINDINGS on FUNDING ELIGIBILITY & PRIORITIES

The proposed program meets the following requirements and goals:

COMMUNITY PRESERVATION ACT (MGL c.44B)

Communities may use community preservation funds to acquire, create, preserve, and support community housing, defined as housing affordable to individuals and households with incomes from below 80% up to 100% of the area median income, as determined by the U.S. Dept. of Housing & Urban Development, including housing for seniors.

NEWTON PLANS & PRIORITIES

COMMUNITY PRESERVATION PLAN

Overarching Goals

1. Contribute to the preservation of Newton's unique character, boost the vitality of the community, and enhance the quality of life for its residents.
3. Demonstrate the highest cost/benefit value relative to other proposals.
4. Leverage other public and/or private funds.
5. Preserve a resource or opportunity that would otherwise be lost.
6. Show that a project is the most reasonable available option to achieve the objective.
7. Demonstrate strong community support.
8. Distribute CPA funds equitably throughout the City.

Community Housing Goals

1. Help Newton reach the state mandate of having 10% of its housing stock affordable to those at or below 80% of median income under MGL Chapter 40B.
2. Create community housing that is well designed, of decent quality and based on sound planning principles, including development near public transportation.
4. Keep new units affordable for the long term and in perpetuity where possible.
5. Demonstrate that the amount of requested CPA funding as well as the total public subsidy requested is reasonable and is the minimum amount needed for feasibility.
6. Show that the proposal is supported by housing agencies such as the Newton Housing Partnership, leverages other public funds, and could not otherwise be economically feasible without CPA funds.
7. Avoid displacement of current residents.
8. Work in conjunction with other City funding mechanisms and build on existing programs, such as the First Time Homebuyer Program.
9. Reuse previously developed sites for community housing.

COMPREHENSIVE PLAN & CONSOLIDATED PLAN for Housing and Community Development

State targets for community housing: Make timely efforts towards reaching the 10 percent affordable level set and counted by the Commonwealth as a "norm" for municipalities.

Preserve cultural, economic, and occupational diversity: Continue funding Newton's homebuyer assistance programs, and increase both rental and home ownership opportunities for the entire range of low, moderate, and middle income families: for starter households; for senior citizens; for households of diverse ethnic backgrounds, family types, and abilities; and for City employees such as teachers and public safety workers. Low- and moderate-income homeowners in Newton are particularly vulnerable to high housing cost burdens, because the lack of affordable homes may lead them to purchase homes for which they cannot truly afford the full costs of ownership (maintenance, insurance, etc.).

Preserve or extend existing affordability: There are very limited opportunities for new construction in Newton. Attaining the City's housing goals therefore requires finding ways to preserve the relative affordability of existing housing. Unfortunately, several factors are quietly reducing the city's existing supply of affordable housing, including the expiration of earlier, temporary deed restrictions and the process of market turnover, in which long-time, low- and moderate-income residents sell their homes to much wealthier households, at prices the current owners could not themselves afford.

Provide community housing in diverse forms and locations: Some Newton neighborhoods are highly diverse with a mix of housing types and densities, some almost purely homogenous; some are compact, some are more open. It is important to maintain all of those dimensions of choice and diversity, and not to rely solely on relatively large multi-family developments to achieve the City's housing goals.

Leverage federal and state funds: Enhance and expand local support for affordable housing and maximize the effectiveness of local resources through collaboration, partnerships, education and efficient processes. Fortunately, Newton is one of the relatively few cities of its affluence to qualify for federal Community Development Block Grant (CDBG) and HOME funds. Support use of the American Dream Downpayment Initiative.

DISCUSSION

State targets for community housing: Although CP funds can be used for housing affordable to households with up to 100 percent of area median income, this program targets households with up to 80 percent of area median. All units for which this program acquires deed restrictions can be added to the Commonwealth's Subsidized Housing Inventory.

Preserve cultural, economic, and occupational diversity: Although the program focuses on income qualifications, it includes some provision for City employees, whose occupations are not as well-represented in Newton as they once were. Households assisted in the past have come from a wide range of ethnic backgrounds.

Cost/benefit value, streamlined planning and approval: This program's maximum of \$115,000 of CP funds per housing unit demonstrates a high cost/benefit value. Costs for program review, approval and management are distributed across at least 8 units of housing, making this program more cost-efficient than small-scale housing projects that must be reviewed and approved individually.

Preserve or extend existing affordability, avoid displacement of current residents, use sound planning principles: Homes purchased with assistance from this program will carry perpetual affordability deed restrictions. The program works with willing sellers through the regular real estate market. Since it converts existing market-rate units to deed-restricted units, it uses already-developed sites.

Provide community housing in diverse forms and locations: The program has supported the purchase of single- and multi-family homes and condominiums, and is available in any Newton neighborhood.

Leveraging federal and state funds: In the past, this program has leveraged federal funds through the HOME, CDBG, and American Dream Downpayment Initiative programs; funds available through the Massachusetts Housing Partnership's Soft Second mortgage program (a public-private partnership); and regular private mortgage funds. The decline in federal funds makes CP funds more important for this program than ever before.

Community support: The City of Newton Planning Department, Newton Housing Partnership, League of Women Voters and CAN-DO have all supported this program. At public hearings for previous rounds of this program, no opposition was expressed.

NEWTON HOMEBUYER ASSISTANCE PROGRAM
Cases Completed to Date, by Neighborhood

FUNDING					UNIT PURCHASED			HOUSEHOLD SIZE (no. of persons)	DEED RESTRICTION
Purchase Price	CP Funds	Total Subsidy	Mortgaged Amount	Buyer's Contribution	Street	Neighborhood	No. of Bedrooms		
\$108,288		\$44,973	\$43,315	\$20,000	Crescent Street	Auburndale	2	1	Resale
\$275,000		\$90,000	\$171,250	\$13,750	Perry Road	Auburndale	2	2	Recapture
\$275,000		\$90,000	\$171,250	\$13,750	Perry Road	Auburndale	3	3	Recapture
\$164,435		\$10,000	\$152,000	\$2,435	Pine Street	Auburndale/ West Newton	2	3	Resale/40B
\$257,500	\$95,000	\$95,000	\$162,475	\$2,500	Boylston Street	Chestnut Hill	1	1	Resale / Perpetuity application in process
\$186,960		\$3,682	\$181,352	\$5,604	Parker Street	Newton Centre (Oak Hill)	3	4	Resale/HOP
\$253,750	\$90,000	\$115,000	\$134,250	\$4,500	Centre Street	Newton Corner	2	1	Resale / Perpetuity application in process
\$249,500		\$4,102	\$162,500	\$87,000	Charlesbank Road	Newton Corner	1	1	Recapture
\$395,000	\$90,000	\$115,000	\$224,355	\$21,000	Whittemore Road	Newton Corner	3	4	Resale / Perpetuity application in process
\$363,000		\$53,000	\$291,750	\$18,250	Boylston Street	Newton Upper Falls	4	6	Recapture
\$239,900	\$90,000	\$95,000	\$129,900	\$15,000	Elliot Street	Newton Upper Falls	1	1	Resale / Perpetuity
\$312,000		\$66,500	\$230,250	\$15,250	Rockland Place	Newton Upper Falls	2	2	Recapture
\$305,000		\$95,000	\$199,750	\$10,250	Edinboro Street	Newtonville	3	3	Recapture
\$299,000		\$95,000	\$194,000	\$10,000	Highland Avenue	Newtonville	2	1	Recapture
\$395,000	\$90,000	\$95,000	\$295,000	\$5,000	California Street	Nonantum	3	4	Resale / Perpetuity application in process
\$200,000		\$95,000	\$100,000	\$5,000	Faxon St	Nonantum	2	3	Recapture
\$180,000		\$45,000	\$135,000	\$0	Green Court	Nonantum	2	4	Resale
\$199,810	\$90,000	\$95,000	\$66,962	\$37,848	Green Court	Nonantum	2	4	Resale / Perpetuity
\$330,000		\$95,000	\$228,000	\$7,000	Pond Avenue	Nonantum	4	5	Recapture
\$570,000		\$95,000	\$375,000	\$100,000	West Street	Nonantum	5	1	Recapture
\$185,000		\$50,000	\$125,750	\$9,250	Langley Road	Thompsonville	1	1	Resale
\$180,000	\$51,000	\$56,000	\$120,130	\$3,870	Langley Road	Thompsonville	1	1	Resale / Perpetuity
\$385,500		\$95,000	\$152,169	\$70,874	Milo Street	West Newton (Nightcap Corner)	2	1	Recapture
\$6,309,643	\$596,000	\$1,693,257	\$4,046,408	\$478,131			53	57	TOTAL
\$274,332	\$85,143	\$73,620	\$175,931	\$20,788			2.3	2.5	AVERAGE

From City of Newton Housing Office, 17 June 2008

COMMUNITY HOUSING in NEWTON, Massachusetts
Public Funding of Recent Projects

Project	Address	Total Units	Affordable Units	Total CP funds	CP funds/ affordable unit	Total public funds	Total public funds/ affordable unit
Millhouse Commons	1101 Chestnut Street	6	4	\$800,000	\$200,000	\$1,375,000	\$343,750
Coyne Road	29 Coyne Road	3	3	\$572,500	\$190,833	\$1,010,500	\$336,833
Falmouth Road	20-22 Falmouth Road	2	2	\$275,000	\$137,500	\$651,202	\$325,601
Jackson Road	163 Jackson Road	2	2	\$275,000	\$137,500	\$650,317	\$325,159
Cambria Road	11-13 Cambria Road	2	2	\$320,000	\$160,000	\$600,000	\$300,000
Linden Green Homes	248 Elliot Street	5	3	\$575,000	\$191,667	\$851,319	\$283,773
Cambria Road	18-20 Cambria Road	2	2	\$200,000	\$100,000	\$532,461	\$266,231
Pelham House	45 Pelham Street	10	10	\$311,936	\$31,194	\$1,748,593	\$174,859
Kayla A. Rosenberg House/Highland Glen Condominiums	90 Christina St	5	5	\$0	\$0	\$695,574	\$139,115
Advocates Scattered Site	multiple locations	3	3	\$0	\$0	\$415,324	\$138,441
West Street	19 West Street	5	5	\$263,000	\$52,600	\$600,000	\$120,000
Washington Street	1751 Washington Street	4	4	\$0	\$0	\$258,000	\$64,500
Nonantum Village Place	239 Watertown Street	34	34	\$850,000	\$25,000	\$1,665,000	\$48,971
Tremont Street House	173 Tremont Street	8	8	\$0	\$0	\$159,695	\$19,962
Wiltshire Road	13-15 Wiltshire Road	5	5	\$0	\$0	\$153,050	\$6,122
TOTAL		96	92	\$4,442,436	\$1,226,294	\$11,366,035	\$2,893,316
AVERAGE		6.4	6	\$296,162	\$81,753	\$757,736	\$192,888